

**KING COUNTY, WASHINGTON**  
**January 1, 1992 Through December 31, 1992**

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**Schedule Of Findings**

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1. Community Service Division Officials Should Operate The Summer Youth Employment Program In Accordance With Applicable Federal, State, And Local Requirements

During 1992, Community Service Division officials did not fully comply with eligibility verification procedures established for the Job Training Partnership Act (JTPA) Summer Youth Employment Title II-B program. (Catalogue of Federal Domestic Assistance (CFDA) 17.250.) In addition, officials did not appear to have maintained the appropriate information documenting the age of employed minors.

As the primary recipient of federal JTPA funds, the Washington State Employment Security Department established Section E, Management Information Systems, Provision Number 820, "Eligibility Verification" to provide specific guidelines for verifying eligibility for its subrecipients. This provision states in part:

Section I:

To ensure quality control, there must be an administrative review of all application forms within 30 days of enrollment by staff other than the intake individual or by approved automated methods. The administrative review shall determine that:

- A. All questions on the application form are answered. The participant-supplied information on the application form is internally consistent and cross matched with all related questions; and
- B. The eligibility determination is correct and is based on the collected information contained on the application form and reporting documents.

Section II:

When the administrative review determines potential ineligibility issues, a complete verification shall be immediately undertaken. All administrative actions taken to verify enrollment information shall be documented and a summary record of the finding maintained.

In addition, the *Washington Administrative Code*, Section 296-125-050, states in part:

The employer shall be responsible for obtaining and keeping on file the following information concerning each minor employee . . . proof of age by means of a copy of one of the following: birth certificate; driver's license; baptismal record; bible record; insurance policy at least one year

old indicating birth date; or notarized statement of parent or guardian.

The following items were found to be out of compliance with the requirements cited:

- a. We were informed by work training staff members completion of the federal "Employment Eligibility Verification Document" (Form I-9) acted as support evidencing eligibility verification. Form I-9 is required by the federal government to be completed for any new employee hired to provide evidence the individual may legally work in the United States. Fully completed I-9s in and of themselves do not verify eligibility for this program. In addition, no I-9s were maintained in any of the participant files to verify documentation was examined supporting participant eligibility. Once the I-9s were received from the King County Office of Human Resource Management where they were on file, 4 of the sampled 40 were inaccurate or incomplete.
- b. Of the 40 files examined, 23 did not have supporting documentation verifying any of the eligibility criteria other than the Social Security number. While the Seattle-King County Private Industry Council's (the county's direct grantor) guidelines did not specifically state eligibility documentation must be maintained in the participant files for this time period aside from a copy of the Social Security number, discussions with the grantor's staff members clearly indicate they believed county officials were reviewing appropriate documentation supporting eligibility determination. In addition, no proof of age was maintained as required by WAC 296-125-050.
- c. Intake interviewers'/counselors' signatures are not necessarily authentic. At least one counselor allowed other unidentified work training personnel to sign her name as the intake interviewer on intake forms.
- d. The I-9 documentation examination/verification process is often cursory due to time constraints or no supporting documentation is examined at all.
- e. Several counselors were not aware of relevant regulations and requirements or what documentation satisfied specific eligibility criteria.

The Seattle-King County Private Industry Council routinely verifies a sample of program participants for eligibility. The 1992 verification process included 17 participants from the county's program. No individuals were found to be ineligible. Due to this, we are not questioning costs associated with eligibility determination. It appears, however, the county's eligibility verification procedures contain material administrative control weaknesses resulting in eligibility determination at the county level being ineffective. Ineligible participants could easily have been included in the program resulting in program funds not being used for the targeted population.

We recommend:

- a. Community Service Division officials contact their direct grantor (the Seattle-King County Private Industry Council) and arrange for in-depth training classes focusing on eligibility verification procedures and documentation requirements. These classes should be mandatory for any county employee involved with this process.
- b. Work training staff members be made fully aware of specific eligibility requirements. Procedures should be established to timely notify staff members of any changes in such regulations.

- c. Applicable staff members should be required to fully examine verification documentation for authenticity and completeness. Upon such verification of eligibility, the counselor should attest to such verification on the JTPA application form by authentic signature.
- d. Community Service Division officials require all personnel to sign only their name on any document. In addition, employees should be informed what they are attesting to through their signature on each applicable document.
- e. Photocopies of I-9s be maintained in all participant files as well as copies of the documentation supporting the I-9.
- f. I-9s be carefully completed ensuring all appropriate documentation is recorded on the form at the time of verification.
- g. Supporting documentation verifying age be maintained in all participant files in compliance with WAC 296-125-050.

2. Community Service Division Officials Should Maintain Payroll Records In Accordance With Office Of Management And Budget's (OMB) Circular A-87 Guidelines

Community Service Division staff do not appear to be monitoring participant payroll time sheets for the JTPA Summer Youth Employment, Title II-B Program with any regularity. Of the Summer Youth Employment Program participant files for 1992, 100 percent were reviewed for compliance with payroll related regulations. The following items indicating significant control weaknesses were noted:

- a. Of 855 participant files, 148 (17 percent) had at least one time sheet signed by someone other than the participant. In our initial sample of 13 such time sheets, 9 occurred during the middle of the participant's enrollment.
- b. Of 855 participant files, 21 either had time sheets lacking participant signatures or signatures so inconsistent it appears someone other than the participant signed the participant's name.
- c. Timesheets in 30 participant files show participants working in excess of 8 hours per day. These hours were initialled by their supervisor then "adjusted" to 7 hours per day for additional days in order to make up the difference. This revised time sheet was then submitted for payment. Some participants recorded having participated in both work and in training at the same time, but in two separate locations.

For minor employees, this would be a direct violation of WAC 296-125-050 and child labor laws. Questioned costs related to this issue for these participants total \$959.44.

Questioned costs were determined using the following guidelines:

- For participant files which included time and attendance rosters, the roster was reviewed. If one of the periods worked was approved by a supervisor and the other was not, the non-approved hours were questioned.

- For participant files that did not include a roster, all hours over 8 hours per day were questioned.
  - For participants with duplicate hours, the duplicate portion was questioned.
- d. Duplicate payments were received by 7 participants for the same period of time worked. All checks were traced through the King County payroll system and all checks were cashed by the participants.

Part of the cause for the apparent duplicate payments was supervisors or third parties signing for the participant after a previous time sheet with the same information had already been processed.

Questioned costs related to this issue are \$1,016.81

- e. Of 855 participant files, 523 had the original time and attendance roster. Of these 523, 59 lacked supervisor signatures on some of the days the participants claimed to have worked.

OMB Circular A-87, Attachment B, Section B.10.b states in part:

Amounts charged to grant programs for personal services, regardless of whether treated as direct or indirect costs, will be based on payrolls documented and provided in accordance with generally accepted practice of the State, local, or Indian tribal government. Payrolls must be supported by time and attendance or equivalent records for individual employees.

The Work Training Program's internal guidelines state in part:

The WTP employee and supervisor must record hours each day on the Time and Attendance Roster. BOTH THE SUPERVISOR AND YOUTH MUST INITIAL THE TIME AND ATTENDANCE ROSTER DAILY . . . Time and Attendance Rosters must be maintained daily as follows . . . employee initials (verifies accuracy), supervisor initials (verifies accuracy). (Emphasis added.)

Due to the apparent lack of segregation between participant and supervisor signatures, as supervisors routinely signed for participants and third parties signed for both, as well as the supervisors' failure to comply with Work Training Program's internal regulations, the repeated occurrence of duplicate payments and hours, and the failure to maintain initial source documentation in accordance with OMB Circular A-87, we regard payroll recordkeeping and monitoring as having significant internal accounting and administrative control weaknesses.

We recommend:

- a. Participants be required in all instances to sign their own names on time sheets or the time sheets should not be processed through the payroll system.
- b. Counselors and worksite supervisors actively monitor minor participants' work hours. Work hours should be compared between the participants' time sheets and those recorded on the time and attendance rosters to ensure agreement.

- c. Community Service Division officials investigate any occurrences where the participant claims to have worked in excess of 8 hours per day.
- d. Community Service Division officials develop a procedure to effectively track and record when participant time sheets are received and how many hours are on each. This is particularly important as time sheets may be received by work training staff at different times for the same participant who is enrolled in both training and working. Hours recorded for the same periods of time in two locations should be disallowed.
- e. Worksite supervisors be clearly informed on the importance of reviewing and initialing participants' time and attendance rosters on a daily basis in accordance with work training guidelines.
- f. All worksite supervisors be required to submit their participants' time and attendance roster to the Community Service Division ) Work Training Program officials at the end of the participant's enrollment. The time and attendance roster should be maintained in the participant's file as an initial source document.

3. The Division Of Alcoholism And Substance Abuse Services Officials Should Require Payroll Charges To Federal Programs Be Supported In Accordance With Federal Regulations

The King County Division of Alcoholism and Substance Abuse Services officials billed \$449.90 of unsupported payroll charges to the Alcohol and Drug Abuse and Mental Health Services Block Grant (CFDA 93.992). These charges represent employee sick leave and compensatory time used in the detoxification program which lacked adequate support.

OMB Circular A-87, Attachment B, Section B.10.b states in part:

Amounts charged to grant programs for personal services regardless of whether treated as direct or indirect costs, will be based on payrolls documented and provided in accordance with generally accepted practice of the State, local, or Indian tribal government. Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

The absence of actual time record documentation for all employees' time charged to the program increases the risk inappropriate charges would be made to the program and not be detected in a timely manner.

Questioned costs related to sick leave charges arose due to the manager responsible for payroll not submitting absence reports for 3 days of sick leave taken to the payroll clerk. The questioned costs related to compensatory time resulted from the division allowing employees to informally maintain their own compensatory time balances with no controls in place for verification by the payroll clerk. A portion of this compensatory time was charged to the program.

When informed of the issue, Division of Alcohol and Substance Abuse officials responded positively and drafted policies and procedures to correct this situation and provide reasonable assurance it would not reoccur.

We recommend Division of Alcohol and Substance Abuse officials continue their process of implementing corrective procedures.

We also recommend appropriate controls be implemented to ensure the payroll clerk maintains adequate documentation for compensatory time as stated in the division's draft policies and procedures.

We further recommend division officials consult with their grantor concerning how to resolve the questioned costs.

4. County Officials Should Prepare And Submit A Complete, Accurate, And Timely Schedule Of Financial Assistance

The county's 1992 Schedule of Financial Assistance as presented to the Washington State Auditor's Office was not complete, accurate, or timely. Problems encountered included but were not limited to:

- a. No schedules were initially received from 9 of the 38 areas administering awards.
- b. Schedules were submitted by 16 of the 38 areas administering award funds with incorrect information.
- c. Incomplete Schedules were submitted by 9 of the 38 areas administering award funds.
- d. Initial, corrected, and revised schedules were being submitted up through June 25, 1993

OMB Circular A-128 requires recipients of federal financial assistance to prepare a Schedule of Federal Financial Assistance for each audit year. In addition, Washington State agencies making awards to local governments also require a Schedule of Financial Assistance be prepared.

Although problems have been encountered in prior audits with the preparation and submission of the Schedule of Financial Assistance, these issues were intensified in 1992 when King County management decided each county department, division, or office administering award programs would be responsible for completing and submitting a Schedule of Financial Assistance for the given programs/awards to the county's Office of Financial Management, Accounting Services Division. They in turn, transmitted these schedules as presented to the State Auditor's Office with no editing, review, or compilation of the information submitted by the various areas.

As a direct result of the inaccuracies in the schedules submitted, the State Auditor's Office incurred and charged the county for an additional 200 hours of audit time at \$47.10/hour for a total of \$9,420 to revise and correct the schedules so the final schedules fairly present the awards in relation to the county's financial statements taken as a whole. In addition, for the second year in a row, an award program was reclassified from nonmajor to major based upon the information in the final schedules. This resulted in additional audit procedures needing to be performed and a delay in the release of the audit report.

We recommend county officials establish procedures to ensure an accurate, complete, and timely Schedule of Financial Assistance be submitted to the State Auditor's Office.

5. King County Department Of Public Health Officials Should Strengthen Controls Over Their Vaccine Inventory

During fiscal year 1992, differences between actual inventory counts taken on a monthly basis for vaccines (measured in doses) and balances recorded in the perpetual inventory computer system were not investigated. The computer system balance was changed to reflect the actual count with no investigation or research into why the difference occurred. Unreconciled dosage differences from January 1, 1992, through December 31, 1992, averaged 335 doses/month. During the audit, we physically observed three inventory categories noting differences between the actual inventory and the perpetual inventory record in two of the categories. Some of this difference could be attributed to spoilage, however, no records were maintained of spoiled vaccines so the extent is not known. Conversion of the vaccines to estimated dollar amounts results in the unaccounted for portion being valued at \$23,251.74 on vaccine receipts of \$1,850,152.25 or 1.3 percent of the total. This is within the Washington State Department of Health established acceptable parameters for loss, however, we are questioning this area due to county officials not establishing and maintaining local guidelines or procedures during the audit period for investigating differences.

Section 1354 of the "Common Rule" for *Uniform Administrative Requirements for Grants and Cooperative Agreements With State and Local Governments*, Subpart C Post-Award Requirements - Category 20(3) Standards for Financial Management Systems states in part:

Effective internal control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Unreconciled differences preclude the determination vaccines received under and used in conjunction with various federal programs were used solely for the authorized purposes. In addition, weak internal controls reduce the confidence in the applicable balances presented in the county's accounting records and financial reports.

This situation occurred and has been influenced by the lack of official procedures for handling the vaccine inventory and input/output procedures for the use of the Vaccine Tracking System inventory software.

We recommend public health officials develop procedures to strengthen internal controls over the vaccine inventory system and investigate differences between physical counts and perpetual inventory balances.

6. King County Officials Should Only Charge Costs To Federal Award Programs Which Comply With OMB Circular A-87 Cost Principles

The King County Prosecuting Attorney's office under contract with the Washington State Department of Social and Health Services (DSHS) operates a Child Support Enforcement program. Costs incurred by King County for this program are reimbursed 100 percent by the state of Washington. State funding is composed of 66 percent federal funding through the Child Support Enforcement Program (CFDA 93.023) and 34 percent state funds.

During 1992, King County billed and was reimbursed for \$1,608.74 in financing interest costs. Financing interest is not an allowable cost under federal OMB Circular A-87 guidelines which state in part:

Interest and other financial costs. Interest on borrowings (however represented), bond discounts, costs of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable except when authorized by Federal legislation and except as provided for in paragraph C.2.a of this attachment.

As previously noted, King County's contract with the state of Washington is on a 100 percent cost reimbursement basis. Billed interest costs were incurred in conjunction with the Child Support Enforcement Program so county officials billed these costs in the same manner as any other costs. King County officials were unaware financing interest costs were and are not allowable under federal guidelines.

Due to King County officials billing unallowable interest costs, the county was overreimbursed \$1,608.74.

We recommend King County officials reimburse their grantor the \$1,608.74 in unallowable costs.

We further recommend county officials only submit for reimbursement costs allowable under both their state contract and federal guidelines.

7. King County Computer And Communications Services Division Access Controls And Security Policies And Procedures Should Be Improved

Computer and Communication Services officials began implementation of Access Control Facility (ACF2), a security software package sold by Computer Associates, in August 1989. At that time, the prior security system was disabled due to changes in the operating system which made the previous security system operationally incompatible with the new system. Since 1989, portions of the operating environment have been progressively covered by ACF2, however, on-line applications, data files, and data bases are still vulnerable to unauthorized access or modification due to the extent of user areas still not encompassed in the ACF2 security system.

More Specifically:

- ) For on-line systems not under ACF2 control, if a user gains access to a secure terminal, the user may access restricted applications and data files available to that terminal.
- ) ACF2 has not been established to protect the ADABAS, King County's data base management system. Although the data base management system has its own security, there is no automated log of all accesses made to the data and any changes made.
- ) ACF2 password controls have not been fully implemented. All users are not required to periodically change their passwords. Computer and Communication Services is currently setting up a requirement for new users to change passwords every 90 days, however, this requirement was not added to all the existing users.

Access security controls implemented during the audit period as part of the implementation plan did not address these specific concerns.

Computer resources are controlled against unauthorized access by installing an access security control system. Access control determines who can access the system, what



system resources they can access, and how they may use those resources. It prevents users from intentionally or accidentally obtaining data without prior permission. Additionally, the access control is capable of identifying and logging attempts of unauthorized use or notifying security for immediate investigation, and providing an information trail over access to the computer resources. In addition, the security system should only allow users to access computer resources required of their position through established recognition and authorization procedures.

Weakness in access controls increase the opportunity for unauthorized or unintentional modifications to production data and decreases the integrity of the financial systems. The result is an increased risk material errors will occur and not be timely detected.

We recommend Computer and Communications Services establish a high priority for completing the implementation of the access security software and development and documentation of the related policies and procedures. Coordination of efforts between the Computer and Communications Services and the other King County Departments should be mandated for completing this installation.

We further recommend security controls be used to the fullest extent possible to protect access to data sets, on-line systems, and other computer resources; to detect unauthorized access to computer resources; and to enforce password security procedures.